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**TO: Economic Support Supervisors
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Training Staff
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W-2 Agencies
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Job Center Leads and Managers**

**FROM: Amy Mendel-Clemens
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Division of Health Care Financing**

BEM/DWS OPERATIONS MEMO

No: 05- 06

DATE: 01/25/2005

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|-------------|-------------------------------------|--------------|-------------------------------------|--------------------------|--------------------------|
| FS | <input checked="" type="checkbox"/> | MA | <input checked="" type="checkbox"/> | SC | <input type="checkbox"/> |
| CTS | <input type="checkbox"/> | CC | <input type="checkbox"/> | W-2 | <input type="checkbox"/> |
| FSET | <input type="checkbox"/> | EA | <input type="checkbox"/> | CF | <input type="checkbox"/> |
| JAL | <input type="checkbox"/> | JC | <input type="checkbox"/> | RAP | <input type="checkbox"/> |
| WIA | <input type="checkbox"/> | Other | EP | <input type="checkbox"/> | ★ |

PRIORITY: HIGH

**SUBJECT: Treatment Of Medical Expense Deductions For
Medicare Prescription Drug Discount Cardholders**

EFFECTIVE DATE: Immediately

PURPOSE

This memo provides information about medical expense deductions for FoodShare (FS) and Medicaid (MA) participants eligible for a Medicare-Approved Prescription Drug Discount Card.

BACKGROUND

Authorized by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), the Medicare-Approved Drug Discount Card provides Medicare beneficiaries with negotiated prices that should be lower than the regular price of their prescription drugs.

From June through December 2004, the Medicare program provided through the drug discount cards a \$600 subsidy, called Transitional Assistance, to Medicare beneficiaries whose incomes are not more than 135% of the Federal Poverty Level (FPL). An additional subsidy of up to \$600 is provided in calendar year 2005. Any part of the \$600 that is not spent in 2004 can be carried over and used in 2005.

In addition to the \$600 subsidy, those who receive Transitional Assistance will also have their Discount Card enrollment fee (up to \$30) reimbursed by the Centers for Medicare and Medicaid

Services (CMS). The MMA mandates that these Discount Card benefits not affect individuals' eligibility for any other Federal program.

In July of 2004, the U.S. Departments of Agriculture and Health and Human Services issued policy directives to the States concerning the MMA. These directives mandated how the States were to take into account the discounts and subsidies when determining eligibility for FS and MA and made these policies retroactive to June 1, 2004. However, these directives contained conflicting policies and the Bureau of Health Care Eligibility asked for clarifications and permission to make the MA and FS policies consistent. We received this permission in November and are now issuing this memo.

Finally, based on information provided to us by CMS, very few applicants and recipients are affected. To qualify for a discount card, a person can not be a recipient of Full Benefit Medicaid or SeniorCare (although those above 200% FPL in SC could be Discount Card Approved). Once a person has been approved for the discount card, they may later become eligible for MA or SeniorCare without losing their drug discount benefits for the remainder of the benefit year. For this reason, we expect we will see only a very small number of persons applying for benefits who have the discount card. According to CMS, as of September 2, 2004, there were 32,055 persons in Wisconsin with a drug discount card. Of those, fewer than 3,500 had incomes low enough to potentially be eligible for MA and FS.

POLICY

To be consistent with the MMA mandate that these drug discount benefits not affect individuals' eligibility for any other Federal program, the following policies will be effective immediately for both the FS and MA programs. Apply these policies for all new applications and at the next eligibility redetermination for current recipients. As you become aware of individuals whose MA and/or FS eligibility was adversely impacted since June 1, 2004, because this new policy was not applied, you must review their cases, redetermine their eligibility and restore benefits.

- Do not count any discount and subsidy funds as income or assets when determining eligibility and benefit amounts.
- Disregard any discount and subsidy funds when determining the amount of the food unit's medical expense deduction.
- Disregard any discount and subsidy funds when determining the amount of an allowable medical expense for a MA deductible, or a cost share for persons in Community Waivers, Family Care, Wisconsin Partnership Program or PACE, and a patient liability for persons in an institution.

Apply these policies to persons receiving discounted drug prices through a Medicare Approved drug discount plan and Transitional Assistance Subsidy. Persons in one of those plans will have a card with a seal that's shown below. Do not apply these policies to persons in other prescription discount programs.



MEDICAL EXPENSES

Treat the discount and/or subsidy in the manner described below for both FS and MA.

1. Count the full price of drugs purchased by an applicant or recipient before any discounts and subsidies were applied when determining the amount of an allowable medical expense. This is to be done using one of the following methods:
 - Count the full price that appears on the pharmacy receipt before any discount and subsidy is applied to the drug cost, or
 - Use an old receipt showing the full price of the drug paid for by the applicant or recipient before he or she obtained the discount card, or
 - If you cannot determine the pre-discount price of a prescription and the person cannot document that he or she would have had to pay a higher price without the discount card, use **\$48.17 per prescription**. (This is the value set by the CMS based on the National average cost of a prescription).
2. Count the drug discount plan enrollment fee (up to \$30/year) paid by the person as a medical expense.
3. If the enrollment fee is paid for by a state or federal government program, it is not a countable medical expense, unless the fee is paid for or reimbursed by CMS as part of Transitional Assistance benefits.

Institution/Community Waivers/Family Care/Wisconsin Partnership Program/PACE Cases

Care managers will count the full price of drugs that would have been incurred before the discount or subsidy when determining medical expenses for persons in these programs. They will use the same methods described above to determine the correct amount. They will also count the enrollment fee paid by the person as a medical expense as described above.

EXAMPLE: Ted has applied for MA and is eligible for EBD MA with a deductible. When Ted sends in his bills for his prescriptions, his worker notices on one receipt that Ted paid \$10. However, the receipt shows the full cost of the drug was \$60 and that the pharmacy deducted \$50 for a Transitional Assistance payment made by CMS. The worker must count the full cost of \$60 towards Ted's deductible; not just the \$10 paid by Ted.

Ted's worker sees another prescription receipt for \$5. Ted tells his worker that he got the drug so cheap with the Medicare-Approved Drug Discount Card, but that he doesn't remember the full price of the drug and he has no older receipts. The worker must count \$48.17 towards the deductible, not the \$5 Ted paid out of pocket.

VERIFICATION

Medical expenses for deductibles are a mandatory verification item.

CARES PROCESSING

Medical expenses are tracked separately for FS and MA. Medical expenses for FS and institutional-MA cases are entered on AFME using the PR code (Prescription Drugs) for the Expense Type. Community Waivers Group B, MAPP, and Family Care non-MA cases should use the OP (Out of Pocket Med/Remedial) medical expense type code to record countable drug costs because expenses under PR are not budgeted. MA deductible expenses are entered on AGTM. Community Waiver Group C cases have their med/remedial expenses entered on ANCW.

| Program | Type | CARES Screen | Code |
|--|---------------------------------------|--------------|------|
| • Institutional MA and FS | Medical expenses | AFME | PR |
| • MA | Deductible Expenses | AGTM | N/A |
| • Community Waiver Group C | Med/Remedial Expenses | ANCW | N/A |
| • Community Waiver Group B, • MAPP, • Family Care non-MA | Countable Drug costs, Med/Remedial | AFME | OP |

CONTACTS

BHCE CARES Information & Problem Resolution Center

★Program Categories – FS – FoodShare, MA – Medicaid, SC – Senior Care, CTS – Caretaker Supplement, CC – Child Care, W-2 – Wisconsin Works, FSET – Food Stamp Employment and Training, CF – Children First, EA – Emergency Assistance, JAL – Job Access Loan, JC – Job Center Programs, RAP – Refugee Assistance Program, WIA – Workforce Investment Act, Other EP – Other Employment Programs.